

KENTUCKY ECONOMIC INDICATORS

September Indicators as of November 23, 2004

KY Composite Index of Leading Indicators decreased 0.7 percent for September.

- The Leading Index decreased for the third time this year.
- The Leading Index rose by 0.5 percent over the same month last year.
- Component indicators were mixed, gainers over losers 3:2.
 - + KY Labor Intensity Index increased 1.1 percent.
 - The US Leading Index decreased 3.1 percent.
 - + The Index of KY Initial Claims increased 5.2 percent.
 - + US Retail Sales increased 20.9 percent.
 - The Louisville Help Wanted Index decreased by 7 points to 40.

Component weights for September are 49.58, 23.56, 14.78, 10.39 and 1.69 respectively.

KY Composite Index of Coincident Indicators increased 0.4 percent for September.

- The Coincident Index increased for the seventh time this year.
- Same-month-last-year growth is positive for the fourteenth consecutive month at 2.3 percent.
- Component indicators were mixed losers over gainers 2:1.
 - + KY Total Nonagricultural Employment increased 1.8 percent.
 - + US Industrial Production Index increased 1.1 percent.
 - US Personal Income Less Transfers decreased 1.7 percent.

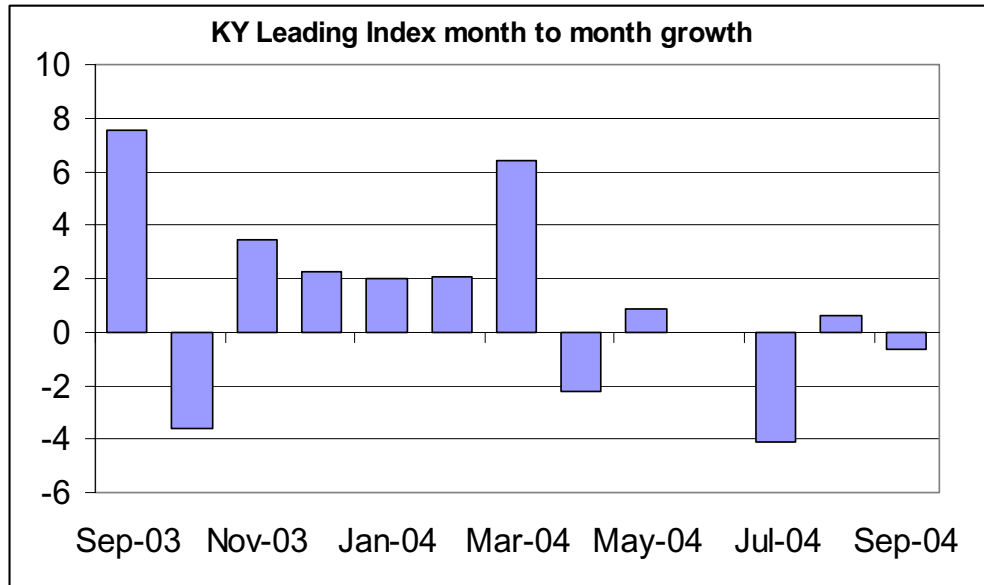
Component weights for September are 31.54, 29.42, and 28.53 respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.

The US Leading Index recorded its fourth consecutive decline in September. This may have serious consequences nine to twelve months from now. For the second consecutive month, the weak US variables have counterbalanced the relatively strong state components. The Louisville Help Wanted Index fell by seven points. Forty is an all-time low for the Louisville Help Wanted series. The seven point loss is substantial in absolute value and as a percentage of the previous month. The Louisville Index along with the US Leading Index made a considerable negative impact for September.

Other labor market indicators (other than the Louisville Help Wanted Index) have improved considerably in September. The Kentucky Index of Initial Unemployment Insurance Claims increased for the second straight month with a strong 5.2 percent gain. The Kentucky Labor Intensity Index, which carries the most weight in our KY Leading Index, increased for the second consecutive month. Kentucky Nonagricultural Employment is again approaching the 1.8 million mark. If we use October 2000 as the last peak (1,832,100 employed) and July 2003 as the last trough (1,775,300 employed), then we have made up 42.8 percent of the losses that occurred during the 2001 recession. Kentucky Manufacturing Employment has not rebounded quite as well as Nonagricultural Employment, but it has halted its freefall that has plagued it the last 4 years. The Kentucky Unemployment Rate has fallen for the third straight month to 4.7 percent. That is the lowest it has been since the beginning of the recession.

General Fund Tax Receipts have grown in every month this calendar year except January. September receipts have now surpassed pre-recession September receipts.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the *University of Kentucky Center for Business and Economic Research Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.state.ky.us.

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

2003

2004

	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
KY Leading Index (1992=100)	111.8	111.4	111.7	111.9	112.1	112.3	112.9	112.7	112.8	112.8	112.4	112.4	112.4
% Chg Previous Month SAAR	7.6	-3.6	3.5	2.3	2.0	2.1	6.4	-2.2	0.9	0.0	-4.1	0.6	-0.7
% Chg Same Month Last Year	1.4	1.0	1.1	1.5	1.5	1.8	2.7	2.6	2.5	2.3	1.4	1.2	0.5
KY Coincident Index (1992=100)	128.4	128.8	129.4	129.5	129.9	130.1	130.1	130.5	130.9	130.9	131.5	131.4	131.4
% Chg Previous Month SAAR	3.4	3.2	6.3	1.0	3.2	2.4	0.1	3.4	3.7	-0.3	5.9	-0.7	0.4
% Chg Same Month Last Year	0.5	0.8	1.3	1.6	1.7	1.9	2.0	2.4	2.6	2.5	2.8	2.6	2.3
KY Nonag Employment (000s)	1,782.7	1,785.2	1,786.4	1,785.7	1,793.4	1,788.2	1,788.1	1,788.1	1,788.4	1,792.0	1,800.7	1,797.1	1,799.8
% Chg Previous Month SAAR	2.1	1.7	0.8	-0.5	5.3	-3.4	-0.1	0.0	0.2	2.4	6.0	-2.4	1.8
% Chg Same Month Last Year	-0.2	-0.2	-0.2	-0.2	0.4	0.4	0.3	0.4	0.4	0.7	1.4	1.0	1.0
KY Mfg Employment (000s)	265.1	266.2	265.8	266.1	266.9	265.8	265.8	264.1	264.5	264.5	259.0	262.9	263.6
% Chg Previous Month SAAR	-0.5	5.1	-1.8	1.4	3.7	-4.8	0.0	-7.4	1.8	0.0	-22.3	19.6	3.2
% Chg Same Month Last Year	-2.3	-2.3	-2.0	-1.5	-1.0	-1.2	-0.6	-0.7	-0.4	-0.3	-2.2	-0.9	-0.6
KY Unemployment Rate (%)	6.2	6.0	6.0	6.0	5.3	5.3	5.5	5.4	5.4	5.5	5.3	5.1	4.7
KY Index of Initial UI Claims	100.0	101.2	101.2	101.3	101.7	101.4	102.4	102.3	102.4	102.7	101.7	101.9	102.3
% Chg Previous Month SAAR	-2.8	14.6	0.4	1.2	5.4	-3.7	12.4	-1.1	1.4	2.8	-10.3	2.1	5.2
% Chg Same Month Last Year	0.7	1.6	0.8	2.6	1.8	1.7	3.5	3.6	3.2	3.4	1.8	1.7	2.3
KY Labor Intensity Ind (1992=100)	104.4	104.4	104.7	104.3	104.8	104.7	104.6	104.7	104.5	104.4	104.3	104.4	104.5
% Chg Previous Month SAAR	1.3	-0.3	3.4	-3.6	4.9	-0.7	-0.6	0.9	-2.6	-1.0	-1.7	1.5	1.1
% Chg Same Month Last Year	-0.7	-0.7	-0.1	-0.6	0.1	0.2	0.7	0.7	0.4	0.4	0.0	0.1	0.1
Louisville HWI (1992=100)	73.0	50.0	49.0	57.0	50.0	55.0	56.0	51.0	48.0	51.0	45.0	47.0	40.0
% Chg Previous Month SAAR	19,610.6	-98.9	-21.5	514.0	-79.2	213.8	24.1	-67.4	-51.7	107.0	-77.7	68.5	-85.6
% Chg Same Month Last Year	25.9	-13.8	-14.0	7.5	-9.1	-8.3	-3.4	2.0	2.1	4.1	-10.0	0.0	-45.2
GF Total Tax Receipts (\$mill)	628.9	530.4	531.1	676.1	583.1	462.6	509.3	721.1	479.5	633.7	519.1	513.4	655.0
% Chg Same Month Last Year	-4.1	-7.1	0.7	5.3	-8.2	10.2	16.3	3.5	15.1	2.6	10.2	11.7	4.1
GF Sales & Use Receipts (\$mill)	200.4	213.3	199.0	207.9	249.5	164.0	185.0	217.5	205.6	199.7	226.1	211.7	206.6
% Chg Same Month Last Year	-0.4	-1.9	5.3	8.0	6.9	8.9	11.7	8.9	8.1	4.2	8.6	7.3	3.1
GF Income Tax Receipts (\$mill)	273.0	228.1	224.0	247.6	207.2	217.3	142.0	366.6	189.6	270.2	224.2	245.2	272.2
% Chg Same Month Last Year	-2.2	-4.0	3.2	8.6	-28.8	6.1	21.4	3.4	19.8	0.8	8.5	9.4	-0.3

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

2003

2004

	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
US Leading Index (1982=100)	113.3	113.9	114.2	114.5	114.9	114.9	115.8	115.9	116.5	116.4	116.1	115.7	115.4
% Chg Previous Month SAAR	1.1	6.5	3.2	3.2	4.3	0.0	9.8	1.0	6.4	-1.0	-3.0	-4.1	-3.1
% Chg Same Month Last Year	2.7	3.3	2.9	3.1	3.5	3.9	4.9	4.9	4.4	3.9	2.9	2.2	1.9
US Coincident Index (1992=100)	114.9	115.2	115.6	115.8	116.0	116.3	116.8	117.1	117.4	117.4	117.7	117.9	118.0
% Chg Previous Month SAAR	2.1	3.2	4.2	2.1	2.1	3.1	5.3	3.1	3.1	0.0	3.1	2.1	1.0
% Chg Same Month Last Year	0.5	0.8	1.0	1.4	1.4	1.8	2.3	2.6	2.7	2.6	2.6	2.8	2.7
US Nonag Employment (mil)	129.9	129.9	130.0	130.0	130.2	130.3	130.6	131.0	131.2	131.3	131.3	131.5	131.7
% Chg Previous Month SAAR	0.6	0.8	0.8	0.1	1.5	0.8	3.3	3.0	1.9	0.9	0.8	1.8	1.3
% Chg Same Month Last Year	-0.3	-0.3	-0.2	0.0	0.0	0.2	0.5	0.8	1.0	1.1	1.2	1.3	1.4
US Unemployment Rate (%)	6.1	6.0	5.9	5.7	5.6	5.6	5.7	5.6	5.6	5.6	5.5	5.4	5.4
US Initial Claims for UI (000s)	399.5	382.2	368.7	362.5	355.3	355.5	340.4	343.6	341.3	336.0	343.6	342.4	349.1
% Chg Previous Month SAAR	-2.7	-41.2	-35.0	-18.4	-21.4	0.7	-40.6	11.9	-7.7	-17.1	30.8	-4.1	26.2
% Chg Same Month Last Year	-3.5	-7.3	-6.4	-13.1	-10.1	-13.4	-19.0	-21.0	-19.4	-19.8	-14.0	-14.5	-12.6
US Industrial Production Index	111.5	111.8	112.9	113.1	113.8	114.8	114.7	115.3	116.2	115.9	116.7	116.7	116.8
% Chg Previous Month SAAR	7.1	3.1	12.3	2.9	7.3	10.7	-1.1	6.6	10.4	-3.6	9.3	-0.7	1.1
% Chg Same Month Last Year	0.1	0.7	1.5	2.3	2.4	2.8	3.5	4.7	5.6	5.3	5.3	5.2	4.7
US Personal Inc. Less Trans. (bil 92\$)	7,451.6	7,488.2	7,542.8	7,550.6	7,537.5	7,549.0	7,558.0	7,589.7	7,603.6	7,604.1	7,632.1	7,637.3	7,626.2
% Chg Previous Month SAAR	2.2	6.1	9.1	1.2	-2.1	1.8	1.4	5.2	2.2	0.1	4.5	0.8	-1.7
% Chg Same Month Last Year	2.0	2.3	3.1	3.4	3.1	3.1	3.2	3.3	2.9	2.6	2.7	2.7	2.3
CPI, All Urban (1982-84=100)	185.1	184.9	184.6	184.9	185.8	186.3	187.2	187.6	188.8	189.4	189.3	189.4	189.7
% Chg Previous Month SAAR	4.0	-1.3	-1.9	2.0	6.0	3.3	6.0	2.6	8.0	3.9	-0.6	0.6	1.9
% Chg Same Month Last Year	2.3	2.0	1.8	1.8	2.0	1.7	1.7	2.3	3.0	3.2	3.0	2.7	2.5
US Retail Sales (bil 84\$)	317.0	317.9	321.8	322.3	323.9	327.0	333.8	331.1	335.9	333.5	336.9	336.1	341.4
% Chg Previous Month SAAR	-13.4	3.2	16.0	2.0	6.0	12.0	28.1	-9.2	18.8	-8.2	12.9	-3.1	20.9
% Chg Same Month Last Year	6.8	6.5	7.3	6.4	6.3	8.5	8.6	7.5	9.3	6.8	6.9	4.7	7.7
Manufacturing & Trade Sales (000s)	879.0	883.0	888.5	895.2	894.4	898.8	921.9	916.1	916.9	920.2	924.4	929.9	*933.5
% Chg Previous Month SAAR	8.6	5.6	7.7	9.4	-1.0	6.1	35.6	-7.4	1.1	4.4	5.7	7.4	4.7
% Chg Same Month Last Year	4.0	4.2	4.3	5.4	4.7	7.2	8.8	8.0	7.5	6.4	5.4	6.5	6.2
US Consumer Expectations (1966=100)	80.8	83.0	88.1	89.8	100.1	88.5	88.8	87.3	81.6	88.5	91.2	88.2	88.0
% Chg Previous Month AR	-22.1	38.0	104.5	25.8	268.0	-77.2	4.1	-18.5	-55.5	164.9	43.4	-33.1	-2.7
% Chg Same Month Last Year	1.1	13.5	12.2	11.1	37.5	26.6	27.6	10.1	-10.7	2.4	9.0	6.9	8.9
Ave. Prime Interest Rate (% NSA)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.42	4.58